

AN ACTIVITY THEORY PERSPECTIVE ON STRATEGY: A Case Study in a Medium-Sized Manufacturing Firm

ABSTRACT

According to data from the ONS Business Inquiry-ABI which is a large yearly survey of approximately 70,000 registered businesses in the UK (www.statistics.gov.uk/abi) reveals that SME productivity growth (gross value added per employee) has exceeded all firms productivity growth in four out of the five years between 1999 and 2004 with the exception of 2002-2003. The cumulative increase in productivity growth for SMEs also exceeds all firms between 1999 and 2004 (www.berr.gov.uk)¹.

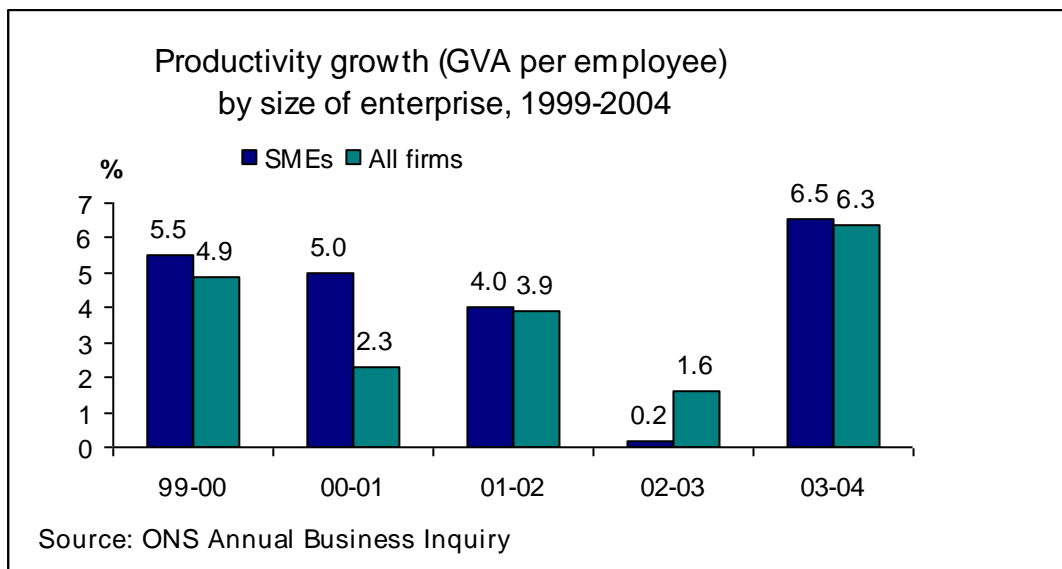


Figure 1- Statistics on productivity growth in SMEs versus large enterprises in the UK in 1999-2004

According to facts and figures from the Department for Business Enterprise and Regulatory Reform UK, SMEs productivity growth has been increased due to a number of improvements in UK government's SME policy and support programme. This research is particularly interested in empirically investigating growth oriented SMEs in manufacturing sector in the UK in order to understand the actions they had taken in realizing their productivity growth strategy.

Growth strategic initiative is less likely happen magically. SMEs started the journey through engaging with a set of management activities such as bringing a team together, having a vision about what area they might look at, making the vision real and during this process being persuasive and smart (Penrose, 1959; Ansoff, 1965; Macpherson & Holt, 2007).

This study is taking an *activity based view* of strategy as a theoretical basis (Johnson *et al.*, 2003; Whittington, 2006) which focuses on detailed activities that relate to strategic growth outcomes for the business organisations. In particular, this research considers broadly defined *strategic initiatives* on productivity growth by managers in

¹ The authors did not have access to data after 2004 which has not been published on the web yet.

a manufacturing SME as the unit of analysis. Thus, the interesting and timely main research questions in this study are:

*How strategic initiatives about productivity **growth** thorough informal plans or other courses of thinking have emerged in manufacturing SME companies? How these plans put into action? How strategy tools are being used if they?*

The researcher developed a conceptual strategy process framework in conjunction with formulation, implementation and review & control phases along with activities comprising those phases. The researcher deduced the conceptual framework from a comprehensive literature review by adopting theory development methodology and Systems Theory (Checkland, 1985; Whetten, 1989; Checkland, 1999). The conceptual framework is mapped on a successful independent manufacturing SME, which is medium-sized and operating in construction sector in the UK.

The data was collected through semi structured interviews with the Managing Director, Director of Engineering and R&D and Finance/IT/HR Director through 1-1,5 hour interviews each. Also, observations, company reports and strategy documents such as strategy workshop reports and market analysis information were used for data triangulation purposes (Yin, 2003b). This research adopts a rigorous qualitative data analysis from *within case study analysis* technique (Yin, 1981; Yin, 2003b; Yin, 2003a) in order to see the patterns.

This research mainly aims to clarify the activities behind the fast growth and productivity in the case study company. The firm is leader in Scotland with 35% market share and is penetrating to the English market. The production output is 28,000 units per annum and employs 150 full time staff. The company was set up in 1990. In 1997 the company was losing £1million a year and had no vision. The firm has engaged in a major investment plan and now the target is doubling the company's installed manufacturing capacity to 60,000 products per annum. The company's value added productivity growth has increased from 44K per head to 80K and the target is 180K in the future.

The company takes on a set of integrated and purposeful activities in order to achieve the productivity growth, therefore puts a lot of emphasis on innovation. For instance, the company had bold steps in managing change necessary with the influence of the Managing Director. In addition, the company has been engaging with a set of strategic initiatives and implementing plans such as the establishment of *Company Operation Model 2000* and *Systematic Inventive Thinking* programmes. The company also adopts management tools such as SWOT and Capabilities Maturity Model while carrying out those strategic activities. One of the major activities behind innovation and productivity growth is the 'pay back' approach which is used with a formal process to control innovative ideas. This forces the management team to put down figures on process improvement etc. in the Capex system, for instance. This approach also contributed to creating a more conducive environment for innovation.

This research contributes to theory by clarifying underlying activities behind productivity growth strategies from an in depth case study in a medium-sized manufacturing firm as well as providing suggestions to policy makers and practitioners who work on SME development in the UK and Europe.

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